

Message Text

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SUBJ: AUSTRALIAN INTEREST IN INTERGOVERNMENTAL NICKEL STUDY
GROUP

REF: CANBERRA 02798

1. THE REGIONAL RESOURCES ATTACHE RECEIVED A LETTER DATED JUNE 15 FROM W.J. RICKETTS, FIRST ASSISTANT SECRETARY, COMMODITIES NO. 2 DIVISION, DEPARTMENT OF TRADE AND RESOURCES, EXPRESSING GOA INTEREST IN FORMING INTERGOVERNMENTAL NICKEL STUDY GROUP. EMBASSY SOUNDINGS OF GOA'S EXPLORATORY THINKING ON THIS SUBJECT REPORTED REFTEL.

2. TEXT OF LETTER FOLLOWS: "THIS WORLD NICKEL INDUSTRY IS IN A DEPRESSED STATE. MOST MAJOR PRODUCERS HAVE ANNOUNCED PRODUCTION CUTS. FOR EXAMPLE, INCO HAS REDUCED ITS STAFF BY 3800 THROUGH ATTRITION AND RETRENCHMENTS AND ITS 1978 PRODUCTION WILL BE SUBSTANTIALLY BELOW THE 1977 LEVEL. IN AUSTRALIA, 6 MINES HAVE CLOSED RESULTING IN A 25 PERCENT CUT IN PRODUCTION AND THE LOSS OF 1100 JOBS. LARGE ACCUMULATED STOCKS OVERHANG THE MARKET; THE MAJOR CANADIAN PRODUCERS, INCO AND FALCONBRIDGE, ARE BELIEVED TO BE CARRYING STOCKS IN EXCESS OF THEIR RESPECTIVE 1977 SALES VOLUMES.

"SOME INDUSTRY OBSERVERS BELIEVE SUPPLY AND DEMAND FOR NICKEL WILL NOT BE IN BALANCE BEFORE THE MID 1980'S. IF THIS IS SO, PRODUCTION WILL BE IN EXCESS OF DEMAND.

UNCLASSIFIED

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PAGE 02 CANBER 04744 160826Z

PRODUCERS NEED TO CLOSELY EXAMINE THEIR LONG TERM STRATEGY FOR CAPACITY UTILIZATION AND THIS COULD EASILY RESULT IN MORE OPERATIONS CLOSING, POSSIBLY PERMANENTLY. WORLDWIDE THE SITUATION SEEMS SO SERIOUS THAT IT COULD HAVE DELETERIOUS EFFECTS ON THE INVESTMENT CYCLE FOR NICKEL.

"IT HAS BEEN OF CONCERN TO THE INDUSTRY IN AUSTRALIA AND TO THE

GOVERNMENT THAT THERE IS A LACK OF ACCURATE AND RELIABLE INFORMATION ON WHICH TO BASE INFORMED DECISIONS. WE SEE MERIT IN INTERGOVERNMENTAL DISCUSSIONS BETWEEN MAJOR PRODUCING AND CONSUMING COUNTRIES WITH A VIEW TO SETTING UP AN INTERNATIONAL FORUM FOR THE EXCHANGE OF RELIABLE STATISTICS AND BASIC INFORMATION ON PRODUCTION, CONSUMPTION, TRADE, END-USE, FORECASTS, AND SO ON. WE ARE AWARE OF ORGANIZATIONS SUCH AS THE COMMODITIES RESEARCH UNIT (CRU) IN LONDON WHICH PREPARE SOME NICKEL STATISTICS BUT WE CONSIDER THESE TO BE INADEQUATE.

"OUR GOVERNMENT IS HOLDING DISCUSSIONS WITH OFFICIALS IN A NUMBER OF COUNTRIES WITH A VIEW TO EXPLORING THE DESIRABILITY AND FEASIBILITY OF ESTABLISHING AN INTERGOVERNMENTAL DISCUSSION GROUP OF NICKEL PRODUCING AND CONSUMING COUNTRIES WHICH WOULD PROVIDE AN INTERNATIONAL FORUM FOR THE EXCHANGE OF INFORMATION. IN LATE FEBRUARY AND EARLY MARCH 1978, AN OFFICER OF THE DEPARTMENT OF TRADE AND RESOURCES VISITED CANADA AND DISCUSSED THE CONCEPT ON AN INTERGOVERNMENTAL GROUP ALONG THE LINES SUGGESTED. THE CANADIANS INDICATED THEY WOULD SUPPORT AUSTRALIA'S INITIATIVE IN ESTABLISHING SUCH A GROUP, AND SINCE THEN THE PROPOSAL HAS BEEN RAISED WITH THE U.S.A. (MR. WENDT OF THE STATE DEPARTMENT) AND WITH OTHER MAJOR CONSUMERS.

"THE AUSTRALIAN GOVERNMENT WOULD LIKE TO SEE THE UNITED STATES PARTICIPATE IN AN INTERNATIONAL WORKING PARTY CONVENED TO EXAMINE THE INTERGOVERNMENTAL DISCUSSION GROUP PROPOSAL. ITS PARTIC-
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PAGE 03 CANBER 04744 160826Z

IPATION IS REGARDED AS MOST DESIRABLE, PARTICULARLY FOLLOWING THE RECENT BI-LATERAL PRODUCTION SHARING FORMULA AGREED BETWEEN THE U.S.A. AND CANADA IN REGARD TO THE LAW OF THE SEA CONFERENCE. IT SEEMS TO US THAT THIS AGREEMENT FURTHER EMPHASIZES THE NEED FOR THE ESTABLISHMENT OF A RELIABLE INTERNATIONAL NICKEL DATA BASE."

3. EMBASSY WOULD APPRECIATE DEPARTMENT'S VIEWS ON THIS
ISSUE.
SQUIRE

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